



**CLAREPINE DEVELOPMENTS LTD.**

*Eighth Annual Report*

# *Clarepine Developments Ltd.*

EDMONTON, ALBERTA

## **Board of Directors**

R. A. McAlpine—Edmonton, Alberta  
C. P. Stumborg—Edmonton, Alberta  
J. J. Stumborg—Edmonton, Alberta

## **Officers**

R. A. McAlpine, P.Eng.—President  
C. P. Stumborg—Vice-President  
J. J. Stumborg—Vice-President  
C. J. Small, B.Comm., C.A.—Secretary-Treasurer

## **Transfer Agent**

North West Trust Co.  
10053A Jasper Avenue  
Edmonton, Alberta  
717 - 7th Avenue S.W.  
Calgary, Alberta

## **Solicitors**

Milner & Steer  
9th Floor Milner Building  
Edmonton, Alberta

## **Auditor**

Thorne, Gunn, Helliwell & Christenson  
Chartered Accountants  
Bank of Montreal Building  
Edmonton, Alberta

## **Consulting Engineers**

Blain, Binnie & Associates Engineering Ltd.  
631 - 7th Avenue S.W.  
Calgary, Alberta

## **Head Office**

560 One Thornton Court  
Edmonton, Alberta

## **Plant**

Bruderheim, Alberta

## **Listed**

Calgary Stock Exchange

*Clarepine Developments Ltd.*

1971 ANNUAL REPORT



# Directors' Report to the Shareholders

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Your Directors herewith submit the annual report of the company and its subsidiaries together with the consolidated financial statement for the year ended November 30, 1971.

**FINANCIAL:** The year under review has been a most difficult one for the company. Our consolidated loss for the year was \$63,973.00. The major portion of this loss is attributable to the start-up losses incurred in the silica operation. Subsequent to the date of this statement, the company obtained a long-term loan from the Industrial Development Bank. This has assisted us in meeting accounts payable and in purchasing required new equipment. Our sales forecast and cost analysis projections indicate our cash flow should be positive in the second quarter of 1972.

**SILICA:** To the best of your Directors' knowledge, no other attempt is being made in Canada at this time to produce a quality silica from a surface dune sand. There are other high grade silica deposits but they are washed and sized and, because of their natural purity, a modification in chemical characteristics is not required. Since our process is new, some of the equipment which was designed and recommended for a particular section has simply not performed up to our requirements and has cost us many hours of lost time. In other cases out of necessity, a particular item may have had to have an experimental period before the final design could be installed.

This past winter was, of course, the company's first attempt at continuous mining and processing through the winter. On several occasions, the temperature reached 50 degrees below zero and this did present a variety of new problems. We will be much better prepared for our second winter and anticipate a good deal less difficulty.

**LAND DEVELOPMENT:** The planning for the Clareview area is well advanced. We currently await the decision of the Provincial Planning Board on our application for rezoning. Your management is currently actively engaged in completing both the outline plan development agreement and the servicing agreement. Because of the obvious involvement of Municipal and Provincial levels of government, it is impossible to predict a date when we may expect a registered subdivision.

The Directors wish to acknowledge and express their appreciation to the employees at the silica plant whose loyalty and dedication under very difficult circumstances has produced a tremendous extra effort.

Respectfully submitted on behalf of the Board of Directors.

*R. A. McAlpine, P.Eng.*  
President

# AUDITOR'S REPORT

To the Shareholders of  
Clarepine Developments Ltd.

We have examined the consolidated balance sheet of Clarepine Developments Ltd. and subsidiary companies as at November 30, 1971, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson,  
Chartered Accountants

Edmonton, Alberta,  
March 10, 1972.



# Clarepine Dev

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## CONSOLIDATED

AS AT NOV  
(with comparative figu

### ASSETS

	<u>1971</u>	<u>1970</u>
<b>Current Assets</b>		
Cash and term deposit receipts .....	\$ 38,461	\$ 83,786
Marketable securities, at cost (quoted market value 1971 \$87,071; 1970 \$182,459) .....	67,833	97,674
Accounts receivable .....	95,880	4,558
Inventories, at lower of cost and net realizable value .....	5,530	-
Prepaid expenses .....	<u>2,093</u>	<u>3,050</u>
	<u>209,797</u>	<u>189,068</u>
<b>Other Assets, at cost</b>		
Investments .....	2,000	3,682
Land .....	<u>28,117</u>	<u>28,085</u>
	<u>30,117</u>	<u>31,767</u>
<b>Investment in Affiliated Companies (note 2)</b>		
Shares, at cost .....	<u>6</u>	<u>8</u>
<b>Fixed Assets (note 3)</b>		
Land, building, petroleum leases, development costs and equipment, at cost .....	536,117	472,031
Less accumulated depletion, amortization and depreciation ..	<u>66,047</u>	<u>44,061</u>
	<u>470,070</u>	<u>427,970</u>
<b>Deferred Charges</b>		
Deposits .....	1,000	1,000
Deferred development costs .....	<u>78,956</u>	<u>69,832</u>
	<u>79,956</u>	<u>70,832</u>
	<u>\$789,946</u>	<u>\$719,643</u>

Approved by the Board

R. A. McAlpine, Director

C. P. Stumborg, Director

# BALANCE SHEET

BER 30, 1971

at November 30, 1970)

## LIABILITIES

	<u>1971</u>	<u>1970</u>
<b>Current Liabilities</b>		
Bank advances (note 4) .....	\$107,754	\$ 52,889
Accounts payable and accrued liabilities .....	90,034	58,148
Principal due within one year on long-term debt .....	7,152	3,000
	<u>204,940</u>	<u>114,037</u>
 <b>Long-term Debt</b>		
Finance contracts .....	6,690	-
Agreements for sale .....	22,885	25,935
	29,575	25,935
Less principal included in current liabilities .....	7,152	3,000
	22,423	22,935
Advances by minority shareholder .....	-	130,000
	<u>22,423</u>	<u>152,935</u>
 <b>Interest of Minority Shareholders in Subsidiary Company</b>	<u>175,134</u>	<u>1,249</u>

## SHAREHOLDERS' EQUITY

<b>Capital Stock (note 6)</b>		
Authorized:		
10,000,000 Common shares without par value		
Issued		
2,075,000 Common shares .....	383,000	383,000
 <b>Retained Earnings</b>	<u>4,449</u>	<u>68,422</u>
	387,449	451,422
	<u>\$789,946</u>	<u>\$719,643</u>
 <b>Subsequent Event (note 8)</b>		

# Clarepine Developments Ltd.

and Subsidiary Companies

## CONSOLIDATED STATEMENT OF INCOME

Year Ended November 30, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Gross profit (loss) on resource sales .....	\$ (40,632)	\$ 2,826
Investment income .....	-	7,031
Management and administration fees .....	18,001	29,137
Profit on sale of marketable securities .....	18,041	103,402
	<u>(4,590)</u>	<u>142,396</u>
General and administrative expenses .....	82,344	75,794
Interest .....	3,483	5,033
Depletion, amortization and depreciation .....	52,450	8,505
Organization costs written off .....	-	3,845
	<u>138,277</u>	<u>93,177</u>
Income (loss) before minority interest and extraordinary items .....	(142,867)	49,219
Minority interest in loss of subsidiary company .....	(51,115)	-
Income (loss) before extraordinary items .....	<u>(91,752)</u>	<u>49,219</u>
Extraordinary Items		
Profit on sale of shares in subsidiary company .....	-	27,154
Profit (loss) on disposal of petroleum leases .....	27,779	(44,973)
Exchange adjustments .....	-	(9,061)
	<u>27,779</u>	<u>(26,880)</u>
NET INCOME (LOSS) FOR THE YEAR .....	<u>\$ (63,973)</u>	<u>\$ 22,339</u>
EARNINGS PER SHARE		
Income (loss) before extraordinary items .....	<u>\$ (.044)</u>	<u>\$ .024</u>
Net income (loss) for the year .....	<u>\$ (.031)</u>	<u>\$ .011</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended November 30, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Retained earnings at beginning of year .....	\$ 68,422	\$ 46,083
Net income (loss) for the year .....	<u>(63,973)</u>	<u>22,339</u>
BALANCE AT END OF YEAR .....	<u>\$ 4,449</u>	<u>\$ 68,422</u>



# Clarepine Developments Ltd.

and Subsidiary Companies

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended November 30, 1971

(with comparative figures for 1970)

### Source of Funds

	<u>1971</u>	<u>1970</u>
Income before extraordinary items .....		\$ 49,219
Items not involving current funds		
Depletion, amortization and depreciation .....		8,505
Organization costs written off .....		2,948
		<u>60,672</u>
Reclassification of other assets .....	\$ 1,682	
Proceeds from sale of petroleum leases .....	80,199	
Finance contracts .....	2,538	
Issue of shares in subsidiary company to minority shareholders .....	225,000	1,249
Agreement for sale .....		22,935
Decrease in advances to affiliated companies .....		8,599
Advances by minority shareholder .....		130,000
Proceeds from sale of shares in subsidiary company .....		70,282
	<u>309,419</u>	<u>293,737</u>

### Application of Funds

Loss before extraordinary items .....	91,752	
Depletion, amortization and depreciation .....	(52,450)	
Minority interest in net loss of subsidiary company .....	51,115	
	<u>90,417</u>	
Additions to fixed assets .....	137,152	290,469
Deferred development costs .....	18,942	59,832
Purchase of other assets .....	32	29,767
Repayment of advances by minority shareholder .....	130,000	
Reduction of non-current portion of long-term debt .....	3,050	
Working capital disposed of on sale of shares in subsidiary company .....		34,124
Exchange adjustment .....		9,061
Deposits .....		5,000
	<u>379,593</u>	<u>428,253</u>
Decrease in Working Capital .....	70,174	134,516
Working Capital at Beginning of Year .....	75,031	209,547
Working Capital at End of Year .....	<u>\$ 4,857</u>	<u>\$ 75,031</u>

# Clarepine Developments Ltd.

and Subsidiary Companies

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended November 30, 1971

### 1. Basis of Consolidation

The consolidated financial statements include the accounts of Clarepine Developments Ltd., the wholly-owned subsidiary company, Clarepine Explorations Pty Limited, and the 52.1% owned subsidiary company Sil Silica Ltd., both of which were incorporated in 1970.

The accounts of the wholly-owned Australian subsidiary have been translated into Canadian dollars at exchange rates in effect at November 30, 1971.

### 2. Investment in Affiliated Companies

The company holds a 30% interest in Greenway Homes Ltd., and a 50% interest in Greenway Investments Ltd.

### 3. Fixed Assets

	1971			1970
	Cost	Accumulated Depletion, Amortization and Depreciation	Net	Net
Land .....	\$ 7,500	\$ -	\$ 7,500	\$ 7,500
Building .....	43,973	2,199	41,774	42,970
Plant and laboratory equipment ..	371,054	34,562	336,492	242,533
Furniture, fixtures and automotive equipment .....	19,645	6,113	13,532	9,006
Producing leases .....	7,986	1,951	6,035	16,618
Lease development costs .....	50,701	12,269	38,432	75,969
Production equipment .....	14,388	8,953	5,435	12,704
Non-producing leases and claims .....	20,870	-	20,870	20,670
	<u>\$536,117</u>	<u>\$66,047</u>	<u>\$470,070</u>	<u>\$427,970</u>

The company employs the full cost method of accounting, wherein all costs of exploration for and development of oil and gas reserves are capitalized and amortized on a unit of production method, based on total estimated reserves. Production equipment is depreciated on a straight-line method, based on a ten-year life. Furniture, fixtures and automotive equipment are depreciated on a diminishing balance method at the following rates:

Building, plant and laboratory equipment	10%
Furniture and fixtures	20%
Automotive equipment	30%



#### **4. Bank Advances**

Bank advances are secured by an assignment of book debts and an assignment of inventory.

#### **5. Income Taxes**

For income tax purposes the company claims lease acquisition, exploration and drilling costs in excess of the related depletion, amortization and depreciation reflected in its accounts. As a result, no income taxes are currently payable.

The Accounting and Audit Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. The company, however, in common with many other companies in Canada, believes that tax allocation in respect of intangible development costs is not appropriate, and this position is accepted by accounting authorities outside Canada. Accordingly, it is the company's policy to provide in its accounts for taxes payable on its taxable income for the year but not for taxes deferred as a result of the excess claims for lease acquisition, exploration and drilling costs. If the tax allocation basis in respect of such excess claims had been followed in current and prior years, net income for the year would have been increased by \$9,116 (reduced by \$5,304 in 1970) and the cumulative amount of deferred tax credits to November 30, 1971 would have been \$6,757.

#### **6. Share Option**

The company has granted an option to an officer of the company to purchase 10,000 common shares at a price of \$0.50 per common share. The option is for a three-year period ending August 31, 1973. No shares have been purchased under this option to November 30, 1971.

#### **7. Remuneration of Directors and Officers**

Aggregate direct remuneration paid to directors and officers of the company amounted to \$36,825 for the year ended November 30, 1971 ((\$30,500 in 1970).

#### **8. Subsequent Event**

Subsequent to the year end, Sil Silica Ltd., negotiated a 10½% mortgage in the amount of \$120,000 with the Industrial Development Bank. Payments required will be \$800 per month plus interest from June 23, 1972 to January 23, 1974, and \$1,300 per month plus interest from February 23, 1974 to October 23, 1980.



